

Message Text

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46

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 SSO-00 COME-00 L-03

TRSE-00 OMB-01 XMB-02 INRE-00 CIAE-00 INR-07 NSAE-00

SP-02 /044 W

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O 181214Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 0035

LIMITED OFFICIAL USE NEW DELHI 9705

PASS OPIC

E.O. 11652: N/A

SUBJECT: EAST INDIA HOTELS - LOAN 386-E-209

REF: (A) NEW DELHI 9075

(B) COLLAMER/O'DONNELL MEMO 11/25/74

(C) STATE 166813

(D) NEW DELHI 3305

1. ALTHOUGH MISSION AGREES DEBTOR IS IN VERY SERIOUS FINANCIAL CONDITION, WE BELIEVE IT IS IN OUR INTEREST, AS WELL AS DEBTOR'S, TO RESCHEDULE IN ACCORD WITH REF A ASAP.

REQUIRED ACTION: OPIC APPROVAL BY PRIORITY CABLE.

2. UNLESS MISSION APPROVES RESCHEDULING IN WRITING SO THAT IT MAY BE SO NOTED IN THE 3/31/75 ANNUAL REPORT, CURRENTLY UNDER PREPARATION, THE DELINQUENCY COULD HAVE A NEGATIVE IMPACT ON EIH'S ABILITY TO GENERATE CASH DURING SLOW PERIOD. THIS IN TURN COULD CAUSE EIH PROBLEMS IN REPAYING PUBLIC DEPOSIT HOLDERS AND RESULT IN INSOLVENCY. AS NOTED ON PAGE 3, PARA 4 OF REF B, EIH MUST RELY FOR THE IMMEDIATE FUTURE ON NEW PUBLIC DEPOSITS TO GENERATE FUNDS TO RETIRE MATURING DEPOSITS.

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3. RESULTS OF FY 75 TENTATIVELY SHOW CASH GENERATION OF RS.

500,000 COMPARED TO RS. 2 MILLION ESTIMATED ON PAGE 5, REF B.
FY 75 UNAUDITED STATEMENTS SHOULD BE AVAILABLE WITHIN TWO WEEKS
AND WILL POUCH COPY.

4. APPROX. RS. 6 MILLION STILL OWING BOMBAY CONTRACTORS (PAGE 3,
ATTACHMENT TO REF B).

5. (A) PAID-IN CAPITAL PORTION PAID BY

OBEROI FAMILY

RS. 36.89 MILLION RS. 8.08 MILLION

(B) LOAN FROM OBEROI FAMILY - RS. 2.4 MILLION
SUBORDINATED TO OPIC LOAN.

6. PROJECTIONS:

	1975/76	1976/1977	1977/78	
				(MILLIONS)
TOTAL REVENUE	RS.148.5	RS.163.3	RS.170.0	
GROSS OPER. PROFIT	46.6	51.1	54.6	
DEPREC.	6.5	6.5	6.5	
TAXES AND OTHER	6.6	6.6	7.0	
INT.	33.0	35.0	37.0	
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NET PROFIT	RS. .5	RS. 3.0	RS. 4.1	
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CASH GENERATION	RS. 7.0	RS. 9.5	RS. 10.6	
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7. EIH IS LOOKING FOR ADDITIONAL SOURCES OF CAPITAL AS DISCUSSED
IN "FUTURE PROSPECTS" OF REF B, PAGES 3 & 4. NOTHING NEW HAS DE-
VELOPED AND PROSPECTS DO NOT LOOK FAVORABLE AT THIS TIME.

8. ACTUAL OPERATIONS FOR APRIL AND MAY FY 1976 COMPARED TO ACTUAL
1975 FOR ONLY BOMBAY AND DELHI HOTELS:

INTERCONTINENTAL DELHI BOMBAY/SHERATON
FY 1975 FY 1976 FY 1975 FY 1976

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OCCUPANCY 91.39 0/0 91.63 0/0 66.87 0/0 70.45 0/0

AVG. ROOM RATE RS. 183 RS.202.54 RS.152.87 RS.170.75

TOTAL REVENUES RS. 7.3 RS. 8.3 RS. 7.4 RS. 8.3
MILLION MILLION MILLION MILLION

GROSS OPER. PROFIT RS. 3.1 RS. 3.3 RS. 1.9 RS. 2.5

MILLION MILLION MILLION MILLION

THUS IF FY 76 CONTINUES TO SHOW THE IMPROVEMENT REFLECTED ABOVE
EIH WILL GENERATE ADEQUATE FUNDS TO STAY "AFLOAT" BUT WILL NOT
BE ABLE TO CORRECT THEIR FINANCIAL CONDITION.

9. UNLESS A NEW SOURCE OF CAPITAL OR LONG TERM DEBT FUNDS CAN BE
FOUND THIS PROMISES TO BE A LONG TERM PROBLEM. HOWEVER, WE
ARE STILL FACED WITH THE IMMEDIATE NEED TO RESCHEDULE THIS LOAN
FOR THOSE REASONS OUTLINED IN REF D.

1. IT SHOULD BE NOTED THAT FIRST MORTGAGE ON BOMBAY HOTEL GIVES US
AN ADEQUATE SECURITY POSITION.

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Message Attributes

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Margaret P. Grafeld
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